

# **ALASKA SEAFOOD MARKET CHANGES AND CHALLENGES**

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## Outline of Presentation

- Changes in Alaska seafood markets
  - Globalization
  - Aquaculture
- Challenges in marketing Alaska seafood
  - Inherent challenges
  - Self-inflicted challenges
- Elements of effective marketing for Alaska seafood

## Conclusions

- The global seafood industry is in a period of rapid and profound change.
- The key causes of change are:
  - Globalization of the world economy
  - The growth of aquaculture
- These changes are leading to increased pressure in every part of the global seafood industry to:
  - Respond to market demands
  - Increase efficiency
- To compete successfully in world markets, the Alaska seafood industry will have to become increasingly market driven and efficient.
- In marketing Alaska seafood, we face both inherent and self-inflicted challenges.
- Effective marketing of Alaska seafood will require
  - Coordination among marketing efforts
  - Marketing at many different levels in many different ways
  - Integrated effort addressing marketing, management and quality
  - Being smart about markets and marketing
  - Understanding the challenges we face

# Globalization of the World Economy



Globalization is happening in all industries, including the seafood industry.

- Increasingly reliance on markets
- Reduction in trade barriers
- Technological revolution in communications and transportation
- World economic integration in markets for resources, goods, services, labor and capital
- Movement of production to low-cost producers
- Consolidation and integration resulting in larger, more powerful firms operating in many countries

Globalization is transforming seafood processing, distribution, and retailing.

- Shift in labor-intensive seafood processing to countries with low labor costs
- Rapid expansion of seafood trade
- Restructuring of seafood distribution networks
- International standards for food handling and safety
- Increasing consolidation and market power in the retail and food service industry

*Increasingly, for large retail and food service seafood buyers, all of these factors will matter.*

- Consistent and reliable supply of large volumes
- Low, stable and competitive prices
- Consistent quality
- Traceability
- Products which consumers view as
  - Good to eat
  - Convenient
  - Safe
  - Healthy
  - Environmentally and socially responsible

*It is not enough just to have a product which is good to eat, or healthy, or environmentally and socially responsible.*

*For smaller niche markets, large volumes and low prices matter less.  
But niche markets also demand reliable supply and competitive prices.*

- Reliable supply
- Competitive prices
- Consistent quality
- Traceability
- Products which consumers view as
  - Good to eat
  - Convenient
  - Safe
  - Healthy
  - Environmentally and socially responsible

*It is not enough just to have a product which is good to eat, or healthy, or environmentally and socially responsible.*



## Globalization means

- Expanding opportunities to market Alaska seafood products worldwide
- Expanding competition from seafood producers worldwide
- Increasingly rigorous market demands for Alaska seafood producers

# The Growth of Aquaculture



Aquaculture accounts for a large and growing share of world seafood production.

**World Aquaculture and Capture Fisheries Production,  
as Reported by FAO (millions of metric tons)**

	1990	2000	% Change
<b>Countries other than China</b>			
Aquaculture	8.9	13.3	49%
Capture	81.0	80.6	0%
Total	89.9	93.9	
Aquaculture share	10%	14%	
<b>China</b>			
Aquaculture	8.0	32.4	308%
Capture	6.7	17.2	156%
Total	14.7	49.6	
Aquaculture share	54%	65%	

*49% growth  
between  
1990 and  
2000*

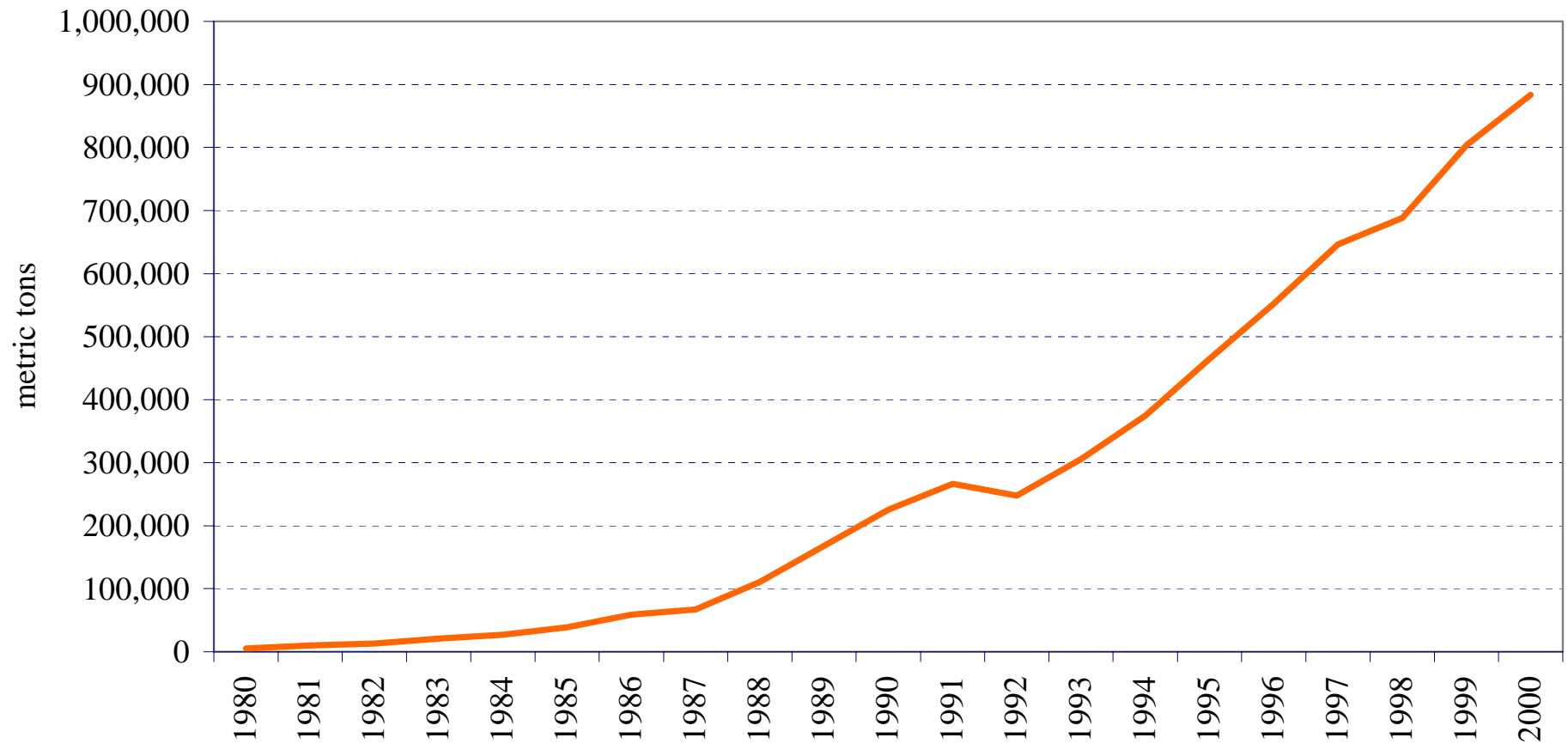
*14% of world supply*

Source: FAO, Fishstat+ Database, 2002.

*There is some uncertainty over the reliability of Chinese data for aquaculture and capture production.*

Farmed salmon is only one of many species for which aquaculture production has grown very rapidly.

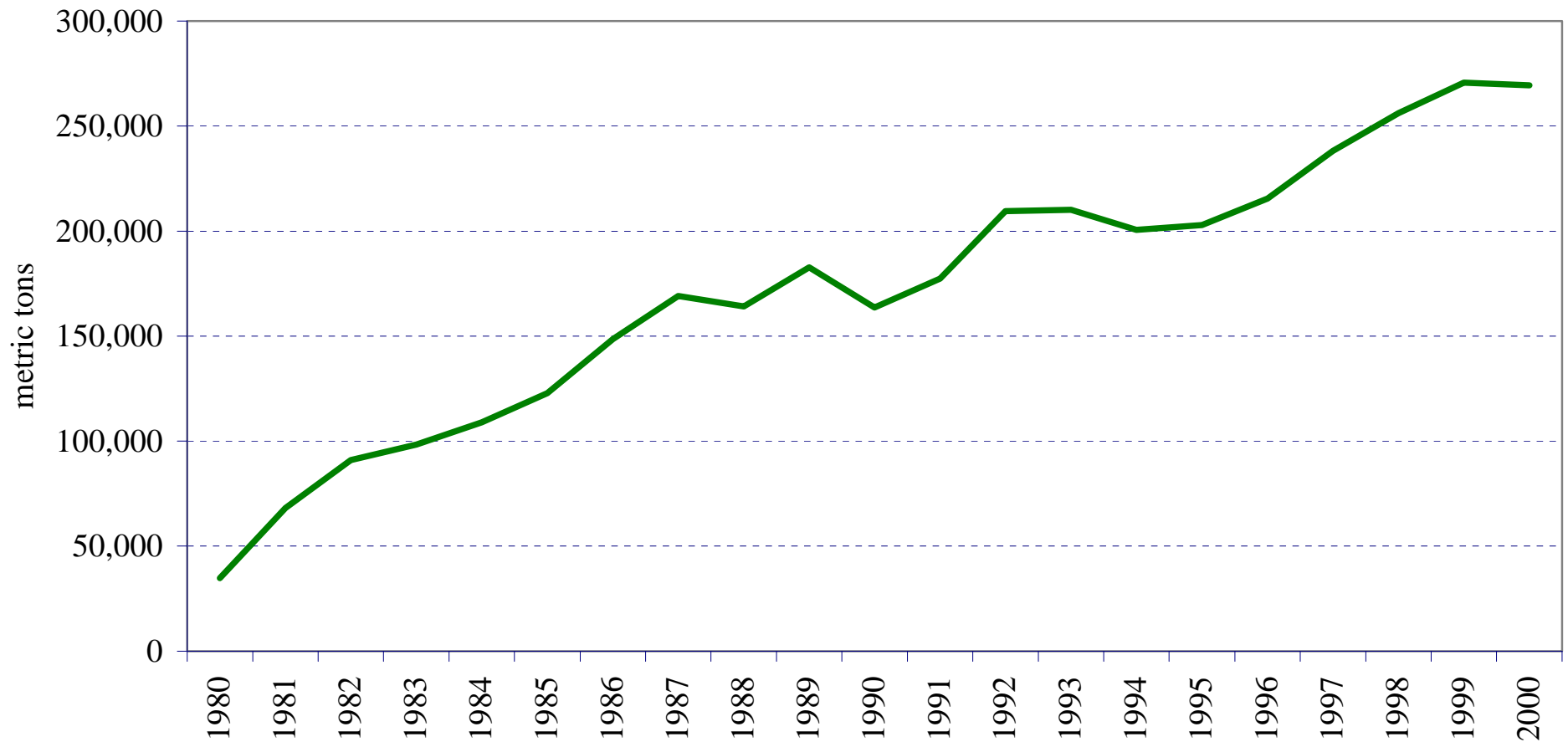
### World Aquaculture Production of Atlantic Salmon



Source: FAO Fishstat+ database. Note: Graph excludes reported Chinese production

Some other species for which farmed production has grown very rapidly include catfish . . .

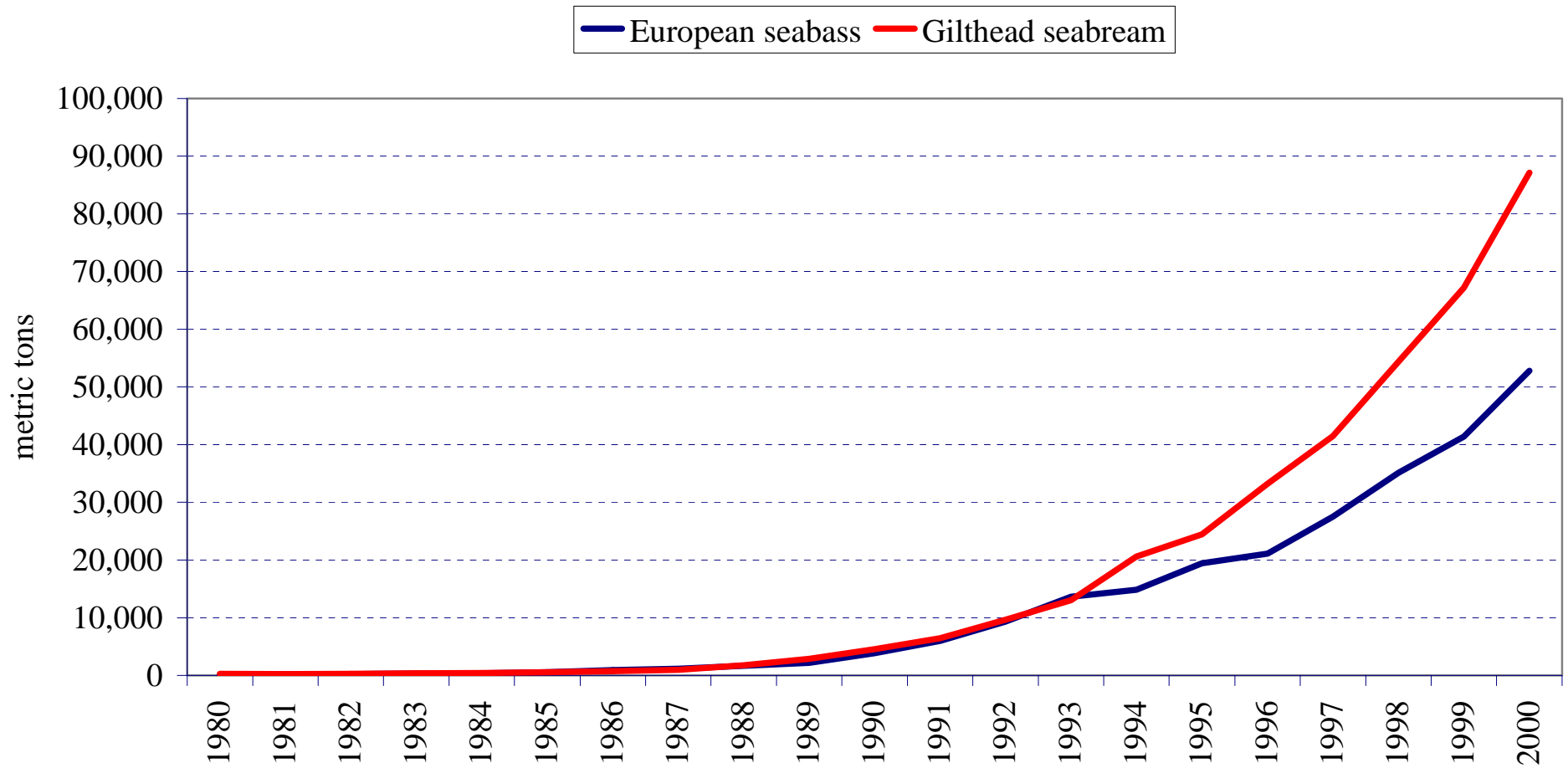
### World Aquaculture Production of Channel Catfish



Source: FAO Fishstat+ database. Note: Graph excludes reported Chinese production

## Seabass and Seabream . . .

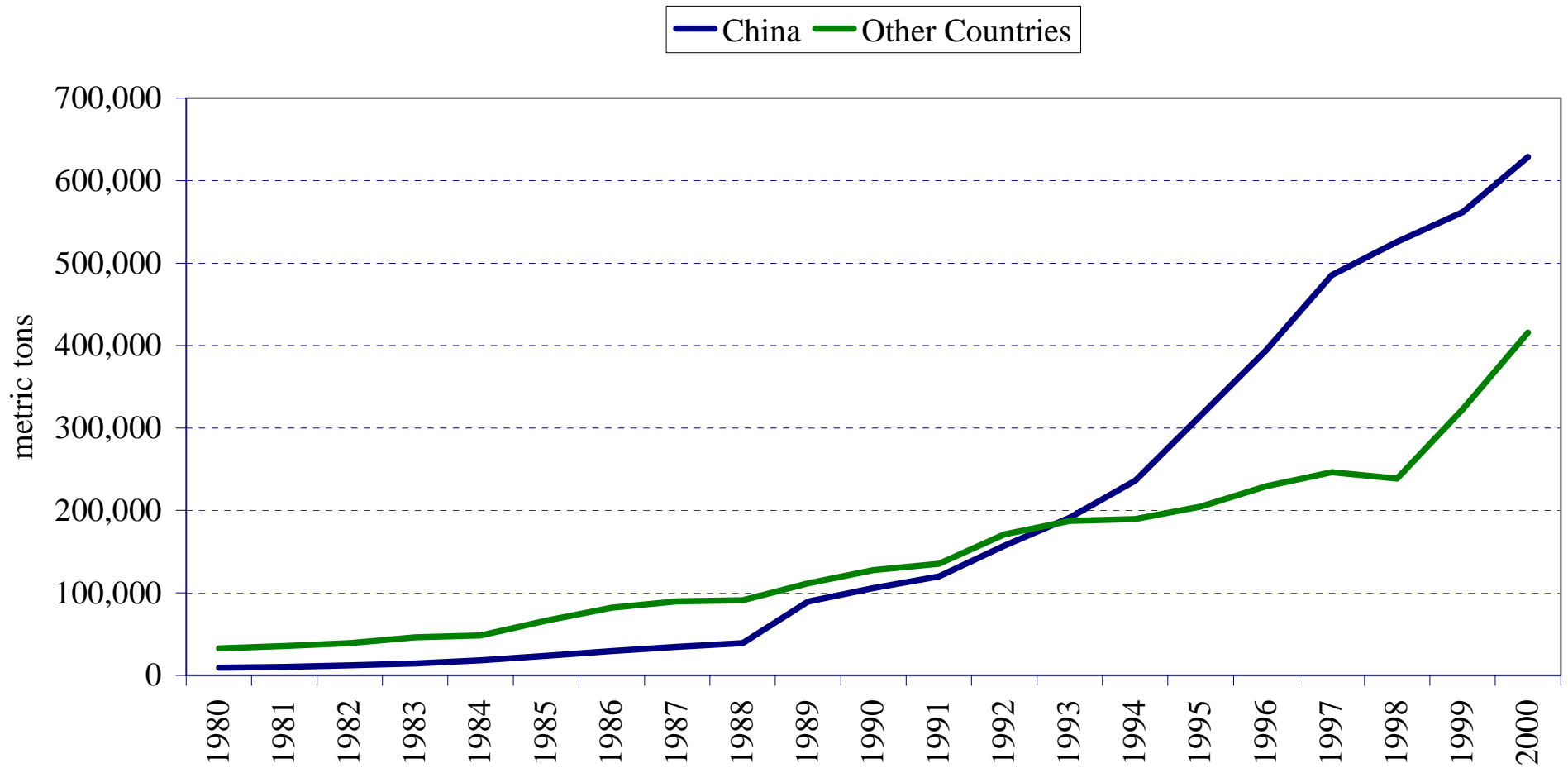
### World Aquaculture Production of Seabass and Seabream



Source: FAO Fishstat+ database. Note: Graph excludes reported Chinese production

and Tilapia . . .

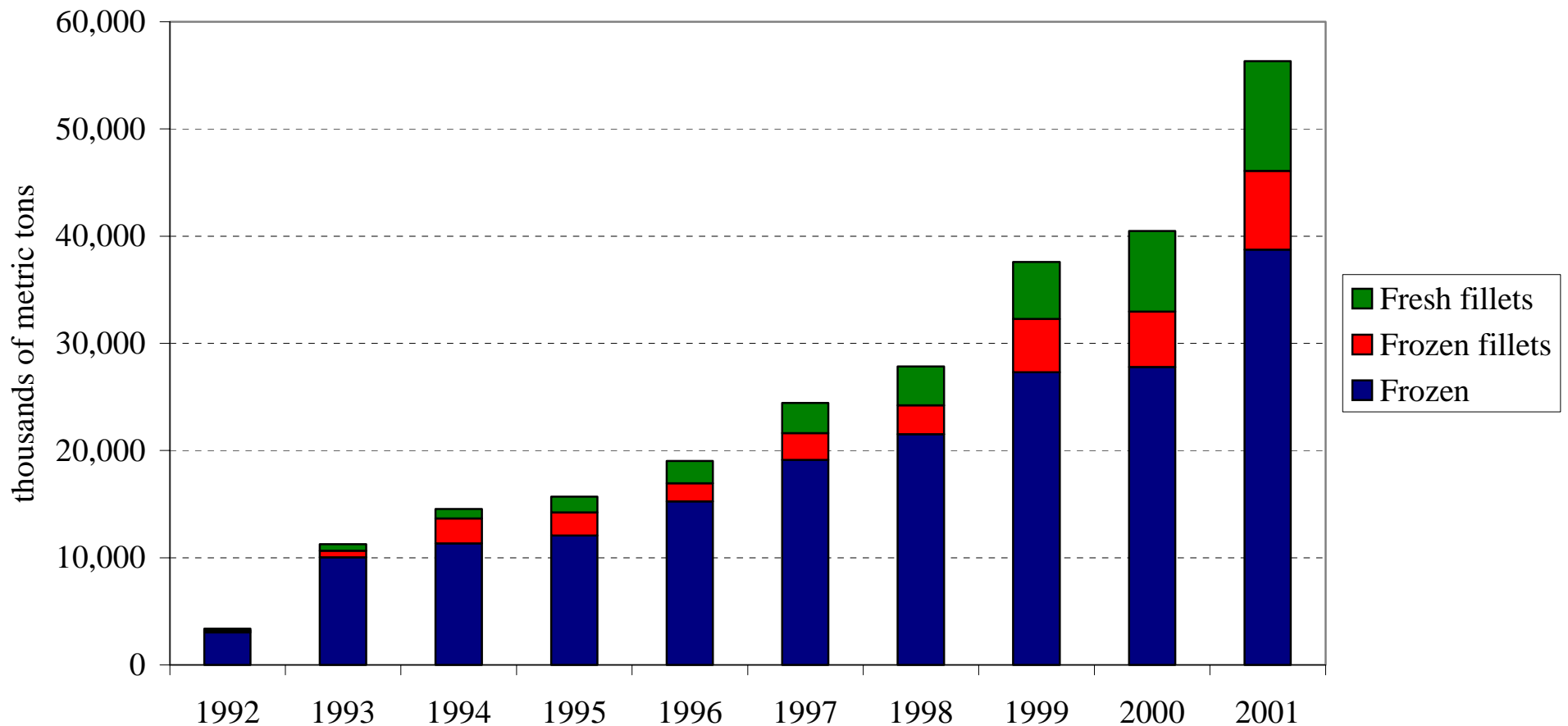
## World Aquaculture Production of Nile Tilapia



Source: FAO Fishstat+ database

Farmed tilapia is one of the fastest growing U.S. seafood imports  
(along with farmed salmon).

### United States Imports of Tilapia, by Product

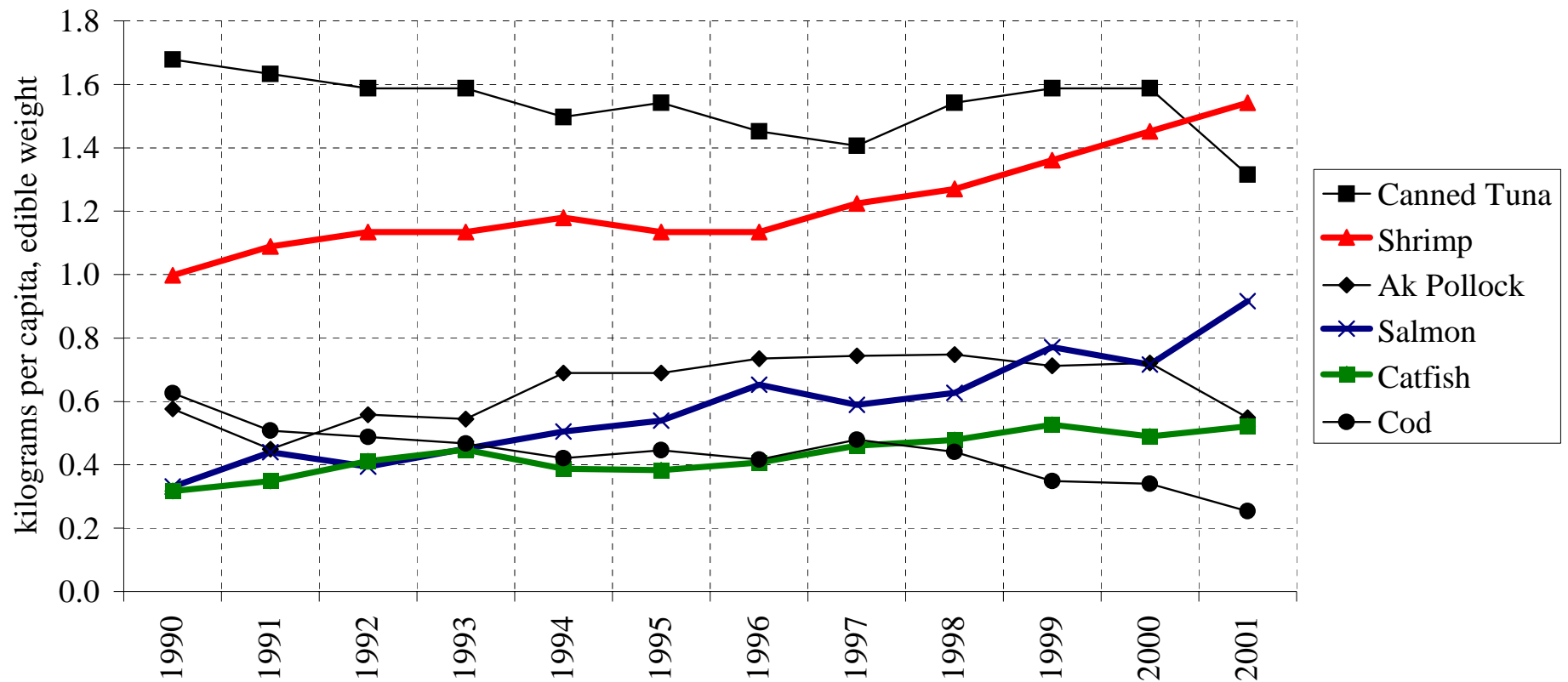


Source: NMFS, U.S. Fisheries Trade Data Website



Farmed **shrimp**, **salmon** and **catfish** are the fastest growing components of U.S. seafood consumption and rank first, third and fifth in total consumption.

Estimated United States Per Capita Fish Consumption: Top Six Species  
(edible weight)



Source: National Fisheries Institute Estimates.

There is very significant potential for growth in aquaculture production.

- The global aquaculture industry has very significant resources to invest in research, production and marketing
- Technological innovation is occurring rapidly.
- Once technological hurdles are overcome, farming of new species can expand at a very rapid rate.

There are no obvious limits to growth in aquaculture production.

- Feed
  - Fish farmers can substitute vegetable-based feeds for fish-based feeds. This is already happening for salmon.
  - Many aquaculture species, such as catfish and tilapia, are grown almost entirely on vegetable-based feeds.
- Environmental Effects
  - Environmental effects can be reduced through regulation and changes in techniques and locations
- Market Acceptance
  - Rapid growth in consumption proves that buyers and consumers will accept farmed products

The past isn't necessarily a guide to the future.

- Just because farming of a species isn't profitable now doesn't mean it won't be in the future
- Just because production of a species isn't significant now doesn't mean it won't be in the future.
- Just because consumers don't eat a fish today doesn't mean they won't in the future.
- Tomorrow's major aquaculture species may not be the same as those of today.

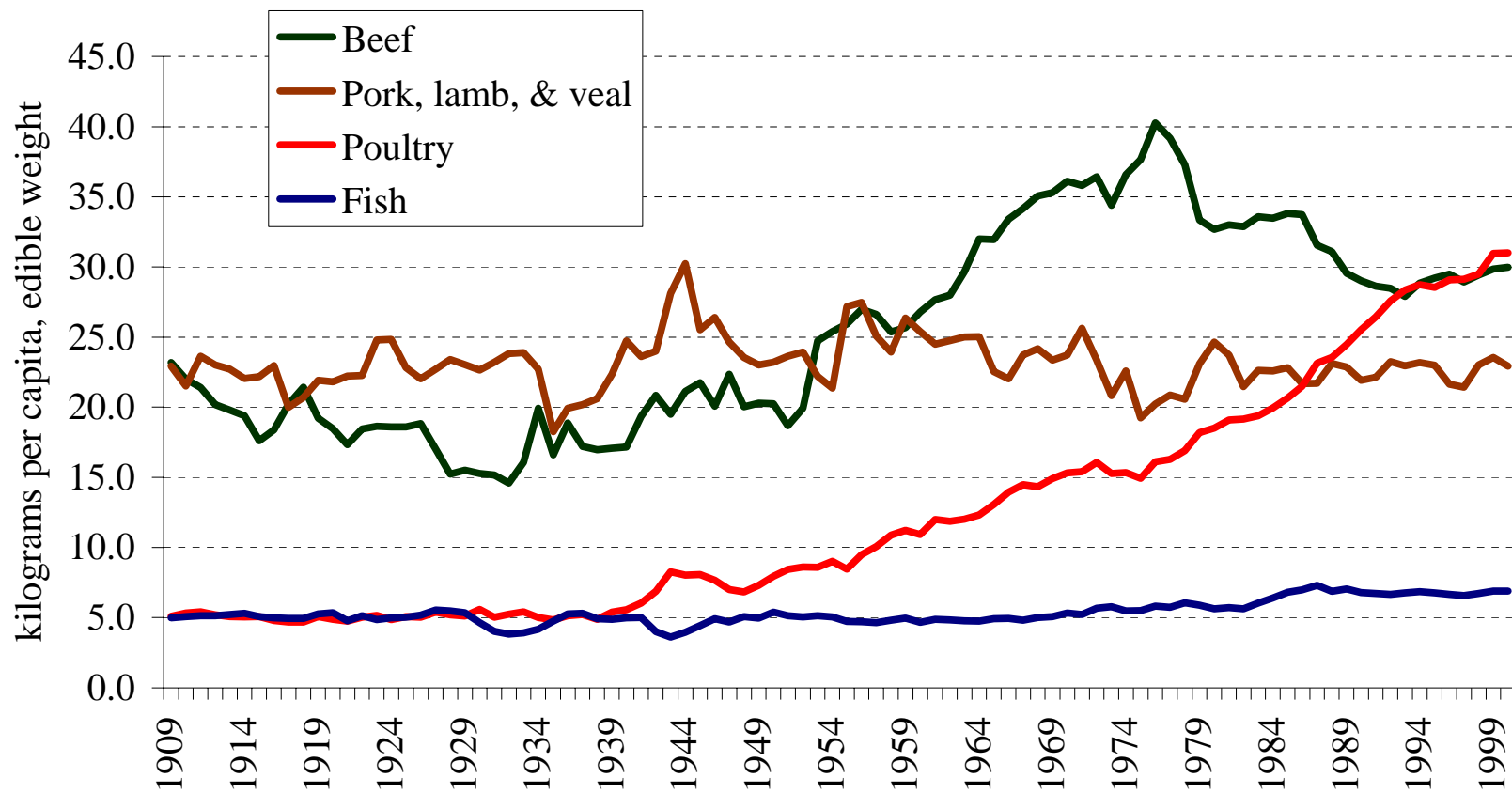
*The past was not a guide to the future  
for farmed salmon, catfish or tilapia.*

## Aquaculture has far-reaching implications for wild seafood markets.

- Aquaculture competes with wild production
  - Aquaculture expands supply which tends to lower prices
  - Aquaculture creates new standards for quality, consistency and availability
- Aquaculture expands demand for fish
  - Aquaculture makes fish more widely available
  - Aquaculture introduces consumers to fish species
  - Aquaculture creates new products
  - Aquaculture invests in marketing
  - By expanding total demand, aquaculture can expand demand for wild fish as a “natural” alternative to farmed fish—if wild fish is marketed effectively.
- Aquaculture changes seafood market dynamics
  - As wild production becomes a smaller part of total supply, prices don’t increase as much when wild catches fall
  - Aquaculture creates price cycles similar to those for meat and poultry
  - Over time, fish prices trend downwards as farming costs fall allowing farmed production to expand.
  - Large scale aquaculture production creates new distribution channels for seafood
  - Aquaculture changes the balance of economic and political power in the seafood industry

Unlike wild fisheries, there is potential for continuing demand-driven growth in aquaculture production. The historical experience of poultry may be a better indicator of the potential for aquaculture than that of wild-caught fish.

### U.S. Per Capita Consumption of Meat, Poultry and Fish (edible weight)



Source: USDA Economic Research Service.

## Challenges for Alaska Seafood Marketing



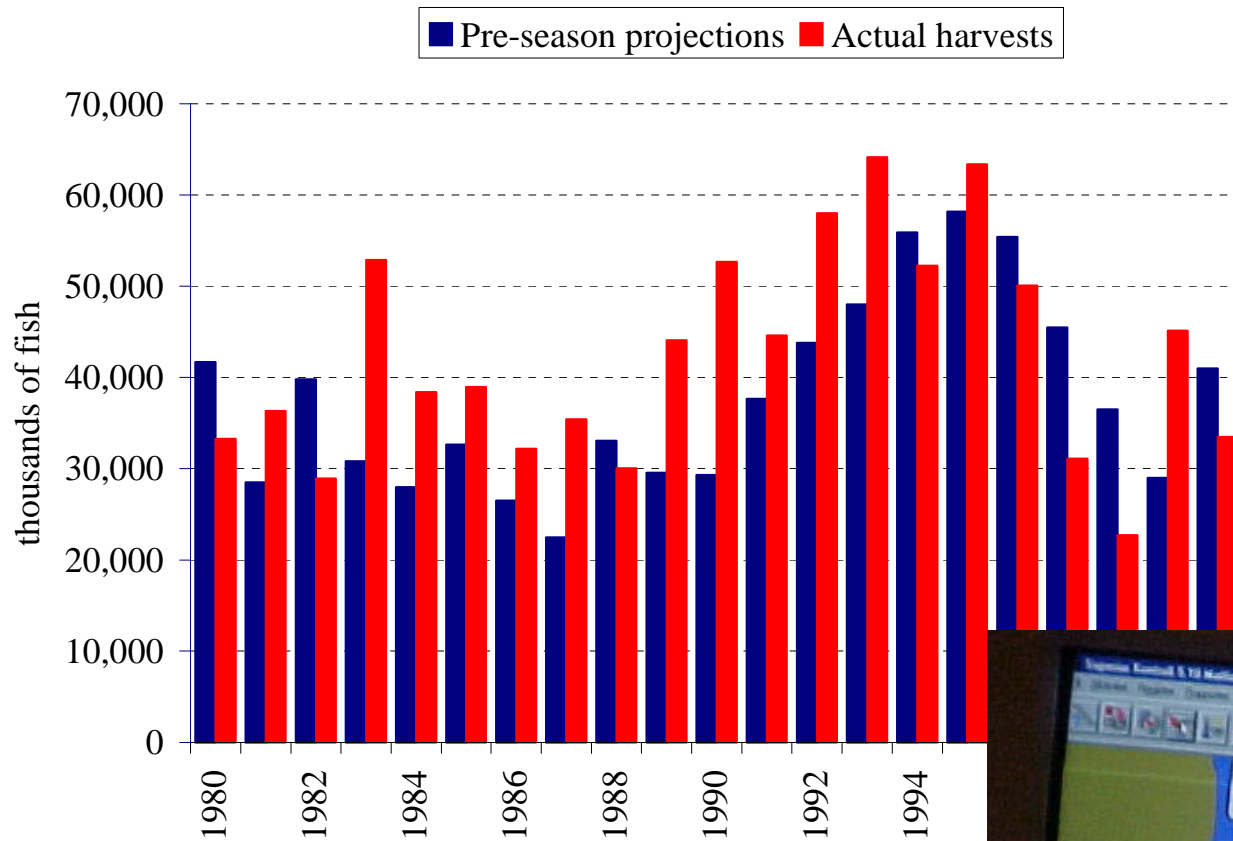
In marketing Alaska seafood, we face both inherent challenges as well as self-inflicted challenges.

- We can't do anything about the inherent challenges. We have to live with them.
- We can do something about the self-inflicted challenges.



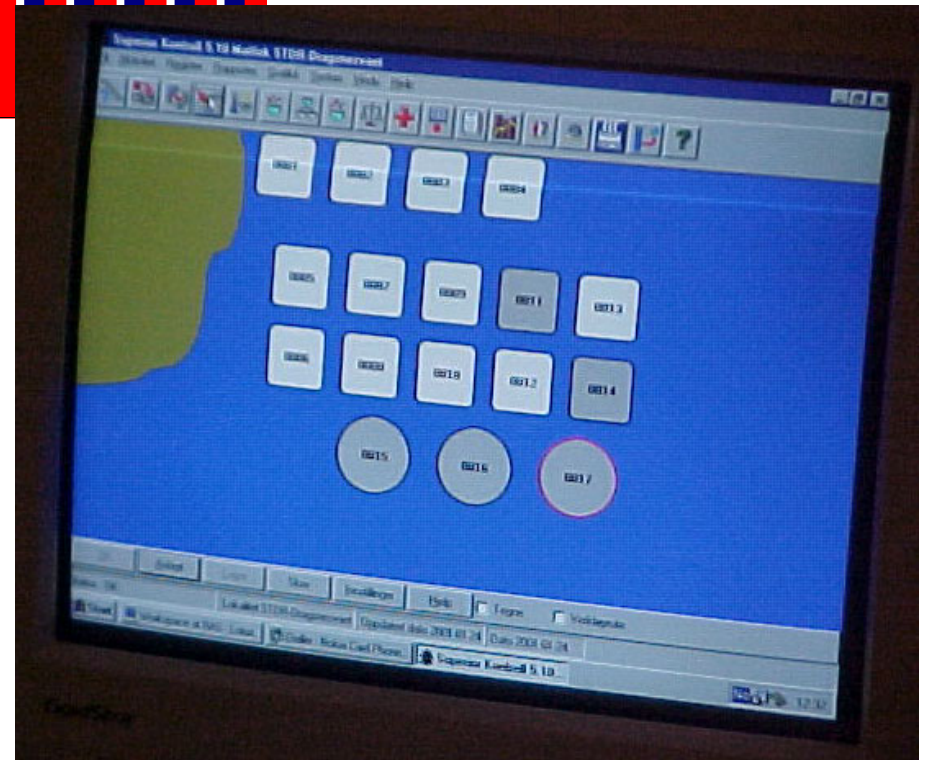
Inconsistent and unpredictable supply makes it more difficult for wild salmon producers to meet buyers' supply needs and to plan for marketing.

Inherent marketing challenge	Wild Salmon	Farmed Salmon
Production Volume	Wild salmon production is inconsistent from year to year, difficult to predict, and cannot expand.	Salmon farmers can accurately forecast production and guarantee supply commitments. Farmers can expand production to meet growing demand.



Actual Alaska sockeye salmon harvests typically differ from pre-season projections by 30%.

This computer at a Norwegian salmon farm can tell the producer exactly how many fish of what size are in each pen (and in the pens of all the farms owned by this company on three continents)



Because it can choose when to process fish, the company doesn't process salmon until it already has a buyer—and the fish are processed to that buyer's specifications.



Inherent marketing challenge	Wild Salmon	Farmed Salmon
Production timing	Wild salmon can only be harvested during a short summer run.	Farmed salmon production can occur year-round.

The fact that many Alaska fishing boats and processing plants are idle for much of the year is a huge cost disadvantage.



This BC plant processes farmed salmon year round.





Because it processes farmed salmon year round, this relatively small British Columbia facility processes as much salmon as the largest Alaska facilities.





Very large harvests in short time periods makes canning the only practical option in some wild salmon fisheries.

Steady production volumes and low-cost labor allows Chilean salmon farmers to produce fresh pinbone-out fillets





Inherent marketing challenge	Wild Salmon	Farmed Salmon
Variation in fish size	There is wide variation in the size and quality of individual wild salmon	Farmed salmon is consistent in size and quality.

*Grades at a  
southeast  
Alaska  
processing  
plant*

<u>BRITE KINGS</u> H/OFF -10 MRK 10-15 LRK 15-18 LRK 18-25 XLRK 25+ XLRK	<u>BLUSH KINGS</u> H/OFF -10 MRK 10-18 LRK 18+ XLRK	<u>DARK RED &amp; WHITE KINGS</u> H/OFF +10 LRK -10 MRK	<u>ALL STD KINGS</u> NO DARK STD -10 MRK +10 LRK			
<u>BRITE WHITE KINGS</u> H/OFF -10 MRK 10-18 LRK +18 XLRK	<u>BLUSH WHITE</u> H/OFF KINGS -10 MRK 10-18 LRK +18 XLRK	<u>CONO</u> H/OFF 2-9 9-6 6-9 9-12 +12	<u>CRAB</u> H/OFF 2-9 9-6 6-9 9+ <small>DATE TO YOU MC</small>	<u>SALMON</u> H/OFF 2-9 9-6 6-9 9+	<u>ALL STD.</u> CONO <small>(DATE TO YOU MC)</small> SOCKEYE SAME SIZE	

Self-inflicted marketing challenge	Wild Salmon	Farmed Salmon
Political risk	Wild salmon producers do not have secure access to fish resources and face constant political risk of changes in management and allocations.	Salmon farmers own their fish.



## Self-inflicted marketing challenges for Alaska seafood . . .

- We manage our fisheries in ways that add to costs and lower quality
- Our management system makes it very difficult to innovate to find new and better ways to meet market demands

This fishery is  
not focused  
on meeting  
market  
demands or  
keeping costs  
low.



*Photograph by Bart Eaton*



Catching salmon at a  
Norwegian farm

← Salmon harvesting in Alaska is labor intensive. Traditional fishing methods and the race to catch fish as quickly as possible do not result in careful handling.



## Other self-inflicted challenges in marketing Alaska seafood

- Fishermen and processors do not have secure access to fish resources and face constant political risk of changes in management and allocations.
- Long-standing and divisive internal conflicts within the industry
  - between processors and fishermen over prices
  - between gear groups and regions over allocations
- Lack of understanding of seafood marketing among fishermen, politicians, and bureaucrats
- Declining funding for marketing due to declining political support for the seafood industry.



## Effective marketing of Alaska seafood

- Effective marketing of Alaska seafood will require
  - Coordination among marketing efforts
  - Marketing at multiple levels in multiple ways
  - Integrated effort addressing marketing, management and quality
  - Understanding the reality of our markets and the challenges and opportunities we face
  - Being smart about markets and marketing

Effective marketing requires effective coordination among the multiple organizations engaged in marketing Alaska seafood.

- Alaska Fisheries Marketing Board
- Alaska Seafood Marketing Institute
- State of Alaska's "Fisheries Revitalization Strategy"
- Regional Marketing Efforts
- Quality Initiatives

The Alaska Seafood Marketing Institute—and the generic marketing which is its mission—remains very important to the Alaska seafood industry.

- Generic marketing of “Alaska Seafood” remains very important.
- ASMI plays a critical role as a spokesman for the Alaska seafood industry:
  - Representing the industry in times of crisis (oil spills, food scares, etc.)
  - Representing the industry to the press

## Risks of not coordinating our marketing efforts

- Duplication of effort and dissipation of limited marketing funding
- Confusing ourselves and our customers
- Forgetting what we have learned
- Losing our investment in past marketing efforts
- Sending conflicting messages
- Competing with each other for the same markets, rather than growing our total markets



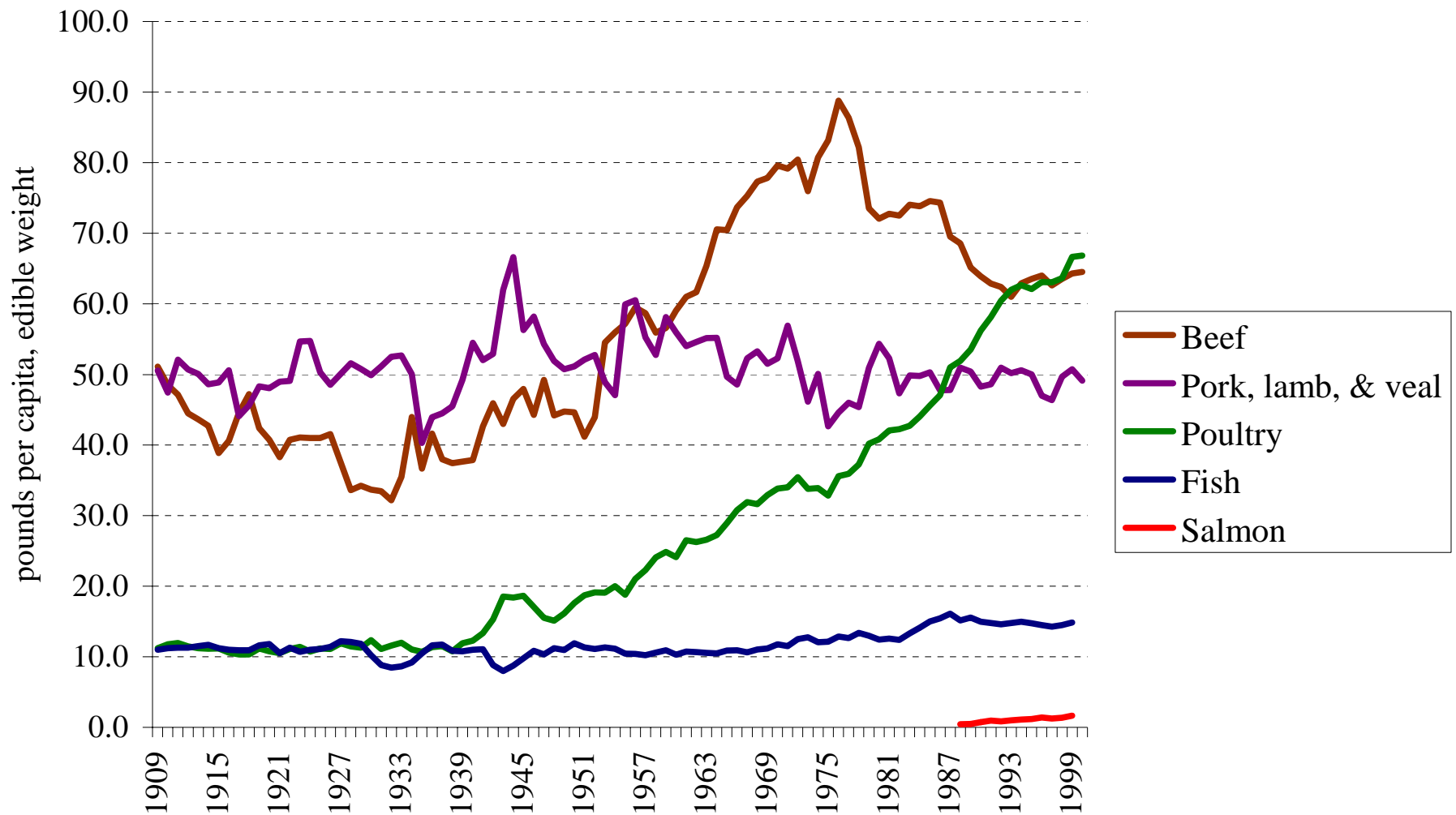
An effective marketing strategy for Alaska seafood should be based on marketing at multiple levels in many ways. We need to get different kinds of messages to different consumers and buyers.

- Generic marketing of seafood: *“Eat seafood!”*
- Generic marketing of salmon: *“Eat salmon!”*
- Generic marketing of Alaska wild salmon: *“Eat Alaska wild salmon!”*
- Regional marketing: *“Eat Bristol Bay sockeye salmon!”*
- Marketing by individual producers

The biggest opportunity to increase demand for Alaska salmon may be in getting consumers to eat more FISH.

We should be leaders in a US seafood industry effort to get Americans to eat more fish.

### U.S. Per Capita Consumption of Meat, Poultry and Fish



Source: USDA Economic Research Service.

Part of the opportunity to increase demand for Alaska salmon is to get more consumers to eat SALMON.

- The more salmon consumers there are, the more wild salmon consumers there will be.
- We should be seriously considering working together with salmon farmers for generic promotion of all salmon.

There are many opportunities for new kinds of marketing, including regional marketing and marketing by individual companies

- This is one of the areas in which the Alaska Fisheries Marketing Board can play a critical role
- It is important to coordinate regional marketing efforts so that they expand total demand for Alaska seafood, rather than competing with each other.

Effective marketing will require an integrated effort addressing marketing, management and quality

- We cannot market our way out of our problems.
- We have to address the fundamental, self-inflicted challenges which hamper effective marketing.
- We have to find ways to improve quality
- We have to find ways to reduce costs
- We have to find ways to make it easier for producers to innovate and to respond to market demands

Effective marketing of Alaska seafood requires understanding the reality of our markets and the challenges and opportunities we face  
It requires being smart about markets and marketing.

- We cannot afford to be ignorant.
- We have to understand our markets.
- Everyone working on expanding markets for Alaska seafood has a responsibility to become knowledgeable about
  - Our markets
  - Marketing
- This includes
  - Talking to buyers and understanding their needs
  - Learning about the competition
  - Learning about what kind of marketing has worked for other industries
- We need to evaluate the effectiveness of our marketing efforts continuously.